

EBRD activities in telecommunications, information technology and media

As of 31 December 2004, the European Bank for Reconstruction and Development (EBRD) had signed financing totalling more than €2.0 billion for 84 telecommunications and media projects, with total project costs of €10.5 billion (see attached list). A further €500 million of projects are currently under consideration. The Telecommunications team's operations encompass the entire range of telecommunications infrastructure, information technology and media.

Overview of key EBRD objectives

The countries of central and eastern Europe and the Commonwealth of Independent States (CIS) are undertaking major development programmes to respond to new market pressures. Over the past decade there has been significant progress but there remains an acute shortage of telecommunications facilities in many of the EBRD's countries of operation as evidenced by low network densities, long waiting times for lines and paucity of modern services. Demand for access and for improved service quality continues to outstrip current supply. The need for value-added services, computer networks, and media and broadcasting services continues to grow. The magnitude of the investment necessary to satisfy this demand requires the effective mobilisation of substantial amounts of private capital. Despite the global economic slowdown and specific sector malaise, investments in the sector in the Bank's countries of operation continue to be robust.

The EBRD's main aims in the sector are to:

- Promote network expansion, which will increase access to telephone services and improve the quality of service
- Encourage the emergence of innovative and advanced communication services
- Accelerate the privatisation process
- Develop appropriate regulatory and legal frameworks, and
- Extend the development of the sector beyond basic telephone services.

In keeping with this, the Bank's overall strategy is to promote modernisation and expansion by:

- *Assisting in the transformation of the incumbent national telecommunications operators into commercially oriented privatised companies*

The EBRD's telecommunications team has in-depth experience in this area. For example, the team has been a key player in the privatisation of the Hungarian national operator. It has also been actively involved in the privatisation of the national operators in Romania and Bulgaria and has invested in the initial public offerings (IPO) of the national telecommunications operators in Poland and Lithuania. In 2002, the Bank made a pre-privatisation loan to Telekom Srpske, the first in Republika Srpska.

- *Mobilising private sector financing*

Since 1997, the vast majority of the Bank's commitments in the sector have been in private enterprises or in connection with the privatisation of state-owned companies.

- *Maintaining a flexible and innovative approach*

The Bank intends to continue to expand its repertoire of financial instruments and to supply innovative solutions to accommodate the increasingly sophisticated needs of both its public and private sector clients. This includes equity warehousing, hedging facilities, guarantees and local currency financing along with its traditional role as a provider of both hard currency debt and equity financing.

- *Continuing to benefit from its relationships with commercial lenders, other multi and bilateral institutions, and telecommunications operators and service providers.*

The Bank has made a number of local currency financings in the sector.

Benchmark transactions

Of the 84 telecommunications and media projects in the EBRD's portfolio, several stand out as useful examples of the Bank's ability to catalyse and facilitate such transactions in its countries of operations.

Hungarian Telecommunications Company (HTC)

Phase 1 of the project involved the modernisation and expansion of HTC's facilities, as well as the establishment of a trunk network and replacement of the existing manually operated system with full automation. The EBRD provided a DM185 million 12-year loan backed by a sovereign guarantee, US\$ 85 million of which was syndicated to JEXIM Bank.

Phase 2 entailed partial financing of a nation-wide digital overlay network, and the construction and modernisation of the digital and local trunk networks. EBRD financing of US\$ 53 million was provided through an equity warehousing transaction, whereby the Bank subscribed to convertible preference shares of HTC, in advance of privatisation, to enhance the attractiveness of the company to potential investors. The shares were subsequently converted to ordinary shares at the same price as that paid by the strategic investor. This was the first transaction of its kind in the region. Privatisation of HTC proved to be highly successful and has had a high demonstration effect in the Region. In November 1997 the company was listed on the Budapest and New York stock exchanges via an IPO.

The third phase of the EBRD financing supported the expansion and modernisation of the network in anticipation of privatisation. This involved installation of approximately 620,000 new direct exchange lines (DELs), modernisation of existing DELs for business subscribers, full automation of all remaining manual systems and an increase in the transmission and transit capabilities of the digital backbone network.

The EBRD provided a multi-currency corporate loan of US\$ 100 million and a loan of US\$ 20 million for currency and interest rate hedging in favour of InvesTel (the financing subsidiary of HTC), unconditionally guaranteed by HTC.

The loan comprised an A loan of US\$ 50 million for the Bank's own account and a B loan of US\$ 50 million, syndicated to a consortium of international banks. The loan formed part of a US\$ 300 million multi-currency corporate debt facility arranged jointly by the Bank, the International Finance Corporation and Deutsche Bank.

In June 1998, with the aim of further enhancing the region's capital markets and attracting new investors to the company, the EBRD, utilising part of its equity holding, issued a bond exchangeable into ordinary shares or ADRs of HTC. This was one of the first exchangeable bonds originating from central and eastern Europe and the first ever by a supranational institution.

In 2004 the EBRD made its final equity exit from the company.

Rom Telecom – Romania

Phase 1 of the project involved assisting Rom Telecom, the state-owned telecommunications operator, to construct a long-distance digital overlay network in

Romania, expand its international and local network capacity to connect 600,000 new subscribers and replacement of 400,000 existing subscriber lines. The EBRD provided a €142 million senior loan backed by a sovereign guarantee.

Phase 2's main objective was to facilitate Rom Telecom's privatisation and continuation of its investment programme. The EBRD provided an unsecured long-term pre-privatisation corporate loan of US\$ 100 million as a private sector transaction. The company was subsequently privatised through the sale of 35 per cent of shares and management rights to OTE of Greece.

Lietuvos Telekomas - Lithuania

In 1994, the EBRD provided Lietuvos Telekomas (Lithuania Telecommunications), the state-owned telecommunications operator, with a US\$ 25 million senior loan backed by a sovereign guarantee. This was used to upgrade the telecommunications systems in Lithuania, including digital switching, call metering systems and transmission equipment. In June 1998, the company was successfully privatised when Telia of Sweden and Sonera of Finland together purchased a 60 per cent stake in the operator.

In June 2000 the EBRD purchased a 7.7 per cent stake in Lietuvos Telekomas for US\$ 49.6 million, following the sale of the Lithuania government's 25 per cent share on both the London and Vilnius stock markets. The public offering is the first significant initial public offering in Lithuania and an essential element of the government's privatisation programme. Moreover, it adds significant liquidity to the Lithuanian equity market and improves Lithuania's exposure to international capital markets.

Telecoms emergency reconstruction project - Bosnia and Herzegovina

The EBRD is playing a key role in supporting the Dayton Agreement by helping reconstruct the telecommunications sector in Bosnia and Herzegovina. The project consists of a US\$ 50 million investment, of which the EBRD is providing a US\$ 20 million 15-year loan, backed by a sovereign guarantee, to the three local telecommunications operators: PTT BiH, HPT Mostar and Telekom Srpske. An additional US\$ 21 million financing is being provided in grants or complementary equipment from international donors.

The project involves the modernisation and expansion of the telecommunications network to permit the connection of approximately 88,000 subscribers and to provide essential equipment and materials for restoration of local/long distance networks. The EBRD is also providing technical assistance for the development of a legal and regulatory framework for telecom-munications, technical advisory services for project implementation and developing finance, accounting and billing services.

Telecom Srpska pre-privatisation loan - Bosnia and Herzegovina

In 2002, building on experience gained under the Bosnia and Herzegovina telecoms emergency reconstruction project, the Bank made a €30 million pre-privatisation loan to Telekom Srpske, the state-owned telecoms operator in Republika Srpska. The loan will enable the company to develop its fixed and mobile networks in the region and generally improve its level of services. This is the EBRD's first loan in Republika Srpska and the largest in Bosnia and Herzegovina without a sovereign guarantee. The loan will also ensure the privatisation of the telecom is transparent and in accordance with international practices.

Digitel 2002 Rt. - Hungary

To assist in the modernisation and expansion of the local switched telephone networks in the Vac and Gödöllő regions of Hungary, the EBRD provided financing to Digitel 2002 Rt., a joint-stock company incorporated in Hungary and a subsidiary of Compagnie Générale des Eaux.

The financing consisted of a senior loan of US\$ 62 million, comprising a US\$ 20 million A loan for the Bank's account and a US\$ 42 million B loan for the accounts of Banque Nationale de Paris and Dresdner Bank, and an equity subscription by the Bank of US\$ 3 million in Digitel ordinary shares.

North-West GSM - Russia

The EBRD extended financing to North-West GSM, a closed joint-stock company incorporated in Russia, to build a GSM 900 digital cellular network in the city of St. Petersburg and in the surrounding suburbs.

The financing consisted of a US\$ 40 million senior loan (US\$ 27.5 million for the Bank's account, US\$ 10 million for the account of Christiania Bank and US\$ 2.5 million for the account of Merita Bank) and a bond investment of US\$ 0.4 million, representing a virtual 6 per cent of the company's current ordinary stock at par and providing the Bank with 6 per cent of the economic rights.

Telekomunikacja Polska S.A.(TPSA) - Poland

The EBRD invested US\$ 75.5 million in the IPO of Telekomunikacja Polska S.A. (TPSA). The EBRD's investment represents 8.1 per cent of the shares sold by the Polish Treasury in the IPO and 1.21 per cent of TPSA's share capital. The IPO of TPSA increased the liquidity and depth of the Polish equity capital market, nearly doubling the then market capitalisation of the Warsaw Stock Exchange. It is also expected to improve Poland's access to international financial markets and attract new sources of finance to the country, thereby increasing investments, in particular in the telecommunications sector, and accelerating economic development.

The EBRD will seek to be an active minority shareholder in TPSA and it intends to support the management's objective of transforming the company into a modern, privately run, customer-oriented and efficient telecommunications operator. The Polish government is currently negotiating the sale of a further 35 per cent stake to a strategic investor, France Telecom.

MobiFon S.A - Romanian GSM

MobiFon S.A. is one of two Romanian GSM operators led by Telesystem International Wireless Inc. (TIW) of Canada and AirTouch Communications of the United States. To finance the rapid expansion of its CONNEX GSM network, the EBRD arranged and partially financed two phases of funding for MobiFon.

The first phase was signed in September 1997 and consisted of loan facilities totalling US\$ 190 million. These facilities comprise an EBRD senior A/B loan of US\$ 135 million, of which the Bank is providing a US\$ 65 million nine-year tranche and syndicating a US\$ 70 million eight-year tranche to seven commercial banks. The Bank is also providing US\$ 10 million in subordinated debt for the company. Two parallel loans totalling US\$ 45 million from the Canadian Export Development Corporation (EDC) and the Nordic Investment Bank (NIB) are being provided with the same terms and conditions as the EBRD loan and with a nine-year final maturity.

Following unexpectedly high demand for services since commencement of operations, the EBRD arranged and partially financed the second phase of the company's expansion plans. Loans totalling an additional US\$ 105 million were signed on 20 January 1999 and comprise a further EBRD senior A/B loan of US\$ 20 million, of which the EBRD is providing US\$ 10 million. Additional funds are being provided through increases of the parallel loans by EDC and NIB of US\$ 10 million each and a new US\$ 65 million parallel loan provided by a syndicate of commercial banks guaranteed by the Swedish Export Credits Guarantee Board (EKN).

In 2002 the Bank concluded its third investment in MobiFon, extending a US\$ 230 million corporate loan, comprising an 'A' loan of US\$ 110 million for the Bank's own account and a 'B' loan of US\$ 120 million for the account of 10 participating banks.

Hungarian Commercial Television (TV2)

To finance the 1997-99 start-up phase of TV2, one of the newly established private terrestrial commercial television channels in Hungary, the EBRD arranged a US\$ 28 million loan package, providing US\$ 14 million for its own account and syndicating US\$ 14 million on a parallel basis to two local commercial banks, Országos Takarékpénztár és Kereskedelmi Bank Rt. and Kereskedelmi és Hitelbank Rt. It is the Bank's first investment in a private commercial television station.

Golden Telecom

Acting as lead investor, the EBRD invested US\$ 35 million in the IPO on the NASDAQ of Golden Telecom Inc. (GT), a subsidiary of Global TeleSystems Group, Inc. This was the first IPO of a CIS telecoms business since the emerging markets crisis in 1998. GT is a leading facilities-based provider of integrated telecommunications services to businesses and other high-usage customers and telecoms operators in Moscow, Kiev, St. Petersburg and other cities in the CIS ranging from competitive local exchange carrier, broadband data, cellular services to Internet services. Under difficult market conditions, the Bank's involvement sent an important signal of confidence in the future of the Russian and Ukrainian telecommunications markets to international investors, thereby facilitating the company's IPO in a timely and efficient manner.

VIPnet GSM - Croatia

In 1999 the EBRD jointly arranged with Creditanstalt AG a €120 million loan package to VIPnet GSM for the construction and operation of the second national GSM 900 mobile network in Croatia. The financing of this project was arranged against the background of the Kosovo crisis and the privatisation of HT, the incumbent Croatian telecommunications company. It is the first major private sector investment in the Croatian telecommunications sector. The financing consists of a €77.6 million eight-year syndicated loan, guaranteed by the Austrian Export Credit Agency (OeKB) and the Swedish Export Credits Guarantee Board (EKN), with two nine-year parallel loans of €22.4 million from the EBRD and €20 million from the Nordic Investment Bank respectively.

In 2001 the Bank provided an additional €10 million as part of a €50 million loan facility to finance further expansion of the network. The project forms part of the EBRD's strategy for economic recovery in south-eastern Europe and will promote much-needed competition in the Croatian telecommunications sector.

In 2002 the Bank concluded its third investment with the Company by granting a corporate loan of €26 million to finance additional network investments and refinance existing loans.

VimpelCom – Russia

A US\$ 30.6 million equity investment by the Bank in VimpelCom, the leading Russian mobile phone provider, should lead to an expanded and improved service for mobile phone users in and around Moscow. The EBRD investment represented about 3.2 per cent of VimpelCom's capital.

The investment was made as part of VimpelCom's equity and convertible bond offerings on the New York Stock Exchange and alongside a US\$ 51.9 million equity investment by Norway's Telenor Mobile Communications. VimpelCom raised a total of US\$

225.4 million to be used to further the development of its cellular telecommunications business, including expanding its GSM coverage, broadening subscription and improving the IT infrastructure. This funding will strengthen competition in the Russian mobile telecommunications market, leading to reduced costs for subscribers and the extension of services to the lower end of the market. The project will also play an important role in supporting economic growth and improving business links in the Moscow region with the rest of the country and the world.

In April 2003, in accordance with its strategy, the EBRD sold its entire holding in Vimpelcom through an accelerated bookbuilding undertaken by Merrill Lynch.

Polska Telefonia Cyfrowa (PTC) - Poland

Polska Telefonia Cyfrowa, a leading Polish GSM provider, received a €650 million syndicated loan facility arranged and underwritten by the EBRD, Deutsche Bank, Dresdner Bank Luxembourg and Deutsche Bank Polska. This is the largest single loan facility ever raised for a Polish borrower on a stand-alone basis. The financing package comprised a five-year revolver divided into zloty and euro tranche.

The EBRD was a major underwriter (€150 million) of the zloty tranche, originally sized at €165 million. However, this was later increased to €257.5 million reflecting the strong interest from domestic Polish banks and the local branches of international banks. The EBRD committed €75 million. The euro tranche was fully underwritten by Deutsche Bank and Dresdner Bank Luxembourg S.A.

The proceeds will be used to support the growth of its GSM network, the development of UMTS, as well as refinancing an existing credit facility. In particular, the facility is designed to maximise the zloty tranche and enable PTC to reduce its foreign-exchange exposure. This represents one of the largest local currency financings in the loan market for a central European borrower and the first local currency financing by EBRD in the telecoms sector. The project demonstrates the EBRD's capacity to provide local-currency, long-term financing and work alongside commercial banks.

Orange Slovensko, a.s. (formerly Globtel) - Slovak Republic

The Bank purchased a US\$ 20 million equity stake in the company, as part of a US\$ 180 million private placement to a consortium of financial investors led by the AIG New Europe Fund. Orange Slovensko's private placement served as a vehicle to divest the 36 per cent shareholdings held by five state-owned Slovak utilities and is believed to be the largest private equity transaction to have taken place in central and eastern Europe to date. Orange Slovensko a.s., is the leading mobile telecommunications company in the Slovak Republic, in terms of revenue and market share. The company has been in operation since 1997 and runs a dual GSM 900/1800 network covering 85 per cent of

the country. Orange Slovenko is part of the France Telecom Orange group, enjoying the benefits of a strong strategic investor, including the transfer of management skills, competitive marketing and technology, while still operating independently.

TIW Czech N.V. - Czech Republic

The EBRD invested US\$ 25 million in TIW Czech N.V., a third provider of GSM services in Czech Republic, through its sole operating subsidiary Český Mobil. TIW Czech is controlled by ClearWave N.V, a wholly owned subsidiary of Telesystem International Wireless Inc. (TIWI), the Canadian-based global wireless operator listed on the Toronto Stock Exchange and Nasdaq. The investment is part of a US\$ 130 million capital increase made alongside existing shareholders. Proceeds will be used to finance the expansion and development of the company's GSM 900/1800 networks and further development of this entrepreneurial telecoms operator in the Czech Republic. The project will promote sustainable expansion of the telecommunications network and foster the emergence of innovative and advanced services crucial for the overall competitiveness of businesses in the region. In particular, the Bank's investment will help promote competition and stimulate customer choice in the Czech Republic by facilitating the entry of a new international mobile operator in the market. In early 2005, EBRD rolled up its stake in Český Mobil into listed shares of TIWI.

Invitel (formerly Vivendi Telecom Hungary)

In 2001 the EBRD underwrote a €100 million participation in a €350 million (includes HUF component), syndicated revolving credit converting to an amortising senior-term loan. The transaction took place in two tranches, tranche 1 of €300 million with 7.5 year maturity and tranche 2 of €50 million with 8.5 year maturity that will be repaid in two equal annual repayments. The EBRD's final participation of €25 million in tranche 1 and €50 million in tranche 2. provided the company with long term finance unavailable in the syndication market. The purpose of the loan was to prepay existing network expansion loans and to finance further network expansion, acquisitions and investment.

In May 2003, VTH was acquired by GMT Communications Partners Ltd. and AIG Emerging Europe Infrastructure Fund L.P., a private equity consortium. The entire facility was reduced from €350 million to €270 million. The EBRD's participation amounts currently to €49 million, €10 million in a 6.5 year maturity facility, €37 million in a 7.5 year maturity facility and €2 million in a revolver facility.

These transactions played a critical role during the consolidation of the telecoms industry in Hungary. The main transition impact of consolidation in the industry was to build strong alternative telecoms operators that could compete with Matáv, the incumbent, from the end

of 2001. Thus, Hungarian customers have been able to benefit from increasing competition since the sector is fully deregulated, thereby reducing costs to the customer.

Mobitel GSM - Slovenia

Mobitel d.d. is the largest GSM service provider in Slovenia with more than 1.2 million subscribers as of December 2001. The company is a wholly-owned subsidiary of Telekom Slovenije (TS), the fixed-line Slovenian incumbent operator. Sumitomo Mitsui Banking Corporation ("SMBC") and WestLB were mandated to raise a €225 million debt facility with five and seven-year maturities. Part of this loan (about €122 million) was provided by the European Investment Bank (EIB) on a five-year basis and guaranteed by commercial banks. The remainder (€103 million) was provided by commercial banks (short maturity and five-years) and a seven-year tranche from EBRD (€25 million) and SMBC (€6.2million).

The funds will be used to extend maturities of the existing borrowings, as well as fund its GSM network.

The transaction, the largest syndicated deal in Slovenia, had an important demonstration effect. The EBRD played a high profile senior-arranging role, developing a financial product responsive to the client and market needs. The operation demonstrates that large long-term financing can be made available in an advanced transition country despite strong negative sentiment among lending banks with weak appetite for the sector.

Tajiktelecom - Tajikistan

This operation comprises a US\$ 13 million loan to Tajiktelecom, the national fixed-line incumbent operator. The loan is supported by a sovereign guarantee from the Republic of Tajikistan. The loan will be used to make urgent investments in new digital infrastructure, equipment to enable the widespread application of per-minute call charging, new international connections and improvements in power supply arrangements in rural areas. In addition to the Bank's financing, the Confederation of Switzerland is providing a grant of €2.25 million for additional network investments. Japan is providing technical co-operation grants of €1.3 million to help the company implement the project and improve its efficiency, as well as support the government in making necessary sector reforms. An essential part of the operation is the loan conditionality, which targets sector reform, including a new telecommunications law, sector policy, tariff reform, a new licensing regime and, eventually, an independent regulatory authority. This should facilitate development of the sector and encourage private investment.

TES Media - Czech Republic

Continuing its policy of tailoring solutions to client needs, in 2002, the Bank extended its first local currency loan in the Czech telecom sector to TES Media, a cable TV company. The Bank loan comprised US\$ 10 million worth of Czech crowns with a further US\$ 25 million equivalent syndicated to international lenders. The facility will allow the company to acquire another Czech cable TV operator, enabling improved programming and development of broadband internet access.

Exatel S.A. (formerly Tel-Energo) - Poland

In 2002 the Bank extended a local currency loan of Polish zloty 280 million to Telekomunikacja Energetyczna, a leading player in the Polish telecoms market. The company operates the second largest backbone and access network, primarily as a wholesaler of transmission capacity. The transaction comprises a secured convertible loan with maturity up to eight years. It will enable the company to expand its activities to become a viable competitor to the incumbent, TPSA, in the newly liberalised market. As part of the transaction, Raiffeisen Bank Polska S.A and Kredyt Bank Polska will jointly provide additional co-financing totalling Polish zloty 130 million.

Aster City – Poland

The EBRD, ABN AMRO and RZB Group have combined to provide €52.5 million senior loan for the acquisition of Polish cable television and broadband services provider Aster City Cable from Elektrim Telekomunikacja. The new owners are funds managed by ARGUS Capital, Emerging Markets Partnership and Hicks, Muse, Tate & Furst. The loan was made in Polish zloty and EBRD's portion is €22.5 million equivalent.

The transaction is the largest leveraged buy-out yet in Poland by private equity investors. The new owners will support the management team in further developing the business, leading to wider access and improved services.

Aster City, with an aggregate subscriber base of 355,000 customers in three Polish cities, is the leading cable operator in Warsaw, where it serves about 280,000 customers. It also has strong positions in Krakow and Zielona Gora. In addition to cable TV, Aster City has built a strong position in providing broadband internet services in Warsaw and Krakow.

Kazakhtelecom – Kazakhstan

The EBRD led a consortium of international banks in lending \$110 million to OJSC Kazakhtelecom to help the largest telecoms operator in Central Asia restructure its debts and modernise its network in the context of the Government's planned liberalisation of the market. This represents a major expansion of an existing loan granted to the Company by EBRD in 1999.

The loan, jointly arranged by EBRD and Standard Bank London, marks the first time that a loan to the Kazakh telecoms sector has been syndicated. The EBRD is the lender of record for the full amount and is providing a seven-year 'A loan' with \$60 million of its own funds.

The remaining \$50 million has been syndicated to five commercial banks which are participating in five-year 'B' loans.

Kazakhtelecom, in which the Kazakh government has a stake of 50 percent plus one share, is the country's national telecoms operator and main provider of fixed lines with 2.2 million lines in service.

Vodafone - Albania

The EBRD, IFC and Greece's Alpha Bank have combined to provide a €85 million loan to Vodafone Albania Sh.A to extend its network coverage and provide quality services across the country. This will increase competition in what was previously a monopolistic sector. The EBRD and IFC are each providing €35 million for 9 years, and a further 8-year €15 million is being syndicated to Alpha Bank. It is the country's largest debt financed project to date, and the first syndicated private sector, long-term loan in Albania.

News Outdoor Russia OOO – Russia

News Outdoor Russia is the largest "out-of-home" advertising media operator in Russia offering billboards, street furniture, transit and point-of-sale advertising. The company is majority-owned by a joint venture company created by The News Corporation Limited, one of the leading media groups worldwide, and a private equity fund managed by Capital International Inc., one of the largest international fund managers.

In December 2003, the EBRD arranged a US\$ 28 million secured loan to the company: the EBRD provided US\$ 20 million and syndicated US\$ 8 million to a commercial bank. The proceeds were used mainly to improve the group's capital structure, facilitate its expansion across the country and finance a technological upgrade of its installations. The project was the Bank's first debt financing of an outdoor advertising operator in Central Eastern Europe and CIS.

In June 2004 the EBRD arranged additional debt financing to the company by increasing its existing loan by US\$ 65 million: the EBRD provided US\$ 32 million and syndicated the balance. The loan provided additional acquisition funding and facilitated the expansion of the company's product and geographic coverage. The follow-on financing builds on the original transaction and facilitates further restructuring of the highly fragmented Russian outdoor advertising industry and enables skill transfer throughout the outdoor advertising supply chain and nationwide. It also encourages best international business practices, transparency and restructuring of the sector.

Bulgarian Telecommunications Company acquisition - Bulgaria

The EBRD arranged and underwrote, together with Citibank and BACA, a €198 million acquisition financing package to a private equity consortium, led by Advent International, to acquire the Bulgarian Telecommunications Company. The EBRD's final take of the senior loans was €73 million and the Bank also participated in an equity stake of €13 million out of total equity funding of €138 million as well as €3.5 million out of total mezzanine funding of €40 million.

The transaction is the first of a kind in the region to combine a privatisation of a major telecommunications company by a consortium of private equity firms, a leveraged buyout, mezzanine financing and a complex acquisition structure involving senior debt funding through an off-shore holding company structure.

SBB – Serbia and Montenegro

The EBRD provided a long-term senior secured debt facility to SBB – a leading cable television and broadband internet provider in Serbia controlled by an affiliate of Soros Investment Capital Management. The total loan is €15 million which will be used for capital expenditure and acquisitions of other cable assets. EBRD also subscribed to a capital increase of €1 million.

Rising Star Media OOO - Russia

In February 2004 the EBRD signed a US\$ 17.5 million secured loan to Rising Star Media OOO, a Russian subsidiary of National Amusements Inc., a leading cinema operator in the US, the UK, and Latin America which operates more than 1,390 motion picture screens and is the parent company of Viacom, a publicly-traded entertainment and media company. The proceeds of the facility will be used to finance construction and operation of a network of multiplex cinemas in Moscow and St.Petersburg.

The project supports the entry of the first international "major" into the Russian market and is expected to facilitate the development of the local market, contribute to the improvement of local business practices and foster transparency and restructuring within the sector.

Bulgarian Telecommunications Company (BTC) Mezzanine Facility – Bulgaria

In August 2004 the Bank participated in its first sizeable mezzanine transaction – the Bulgarian Telecommunications Company (BTC) Mezzanine Facility. The €40 million Mezzanine Facility, to which the EBRD subscribed €3.5 million, was an integral part of the financing package brought together by Advent International to support the purchase of a 65 per cent stake in BTC from the Bulgarian government. The Mezzanine Facility was uniquely suited and necessary to supplement both equity and senior debt providers. It allowed the equity contributors to avoid committing more capital and reducing their returns when the senior

debt capacity of the structure had been fully utilised, but it ensured sufficient cash flows remained to fund junior debt. Given the overall funding needs, the Mezzanine Facility was a critical element of the complex financing structure assembled for this privatisation.

MTS – Russia

The EBRD was an early shareholder in MTS and lent the company US\$ 45 million in its start-up phase in 1995. That loan has been fully repaid and the EBRD no longer holds equity in the company.

In December 2004 the Bank provided a seven-year loan of US\$ 150 million to MTS, now one of the leading mobile operators in Russia, Ukraine and Uzbekistan. Through this transaction, the Bank is supporting the geographical expansion of MTS into the underserved regions of Russia and supporting competition in these areas. The project will lead to the introduction of new services and more importantly, through the reduction of prices, it will bring mobile telephony within reach of a wider segment of the population. The project will also promote commercial activity in these economically less developed areas.

MTS is licensed to operate in 87 out of 89 regions in Russia, but its commercial services are currently only available in 71 of these regions. (The regions have a combined population of approximately 134 million.) In addition, MTS holds licenses through its subsidiaries and affiliates which allow it to operate in Ukraine, Uzbekistan and Belarus.

Oskar Mobil – Czech Republic

Through this transaction, the Bank assisted Oskar Mobil a.s., the third mobile operator in the Czech Republic, to compete effectively in the mobile market. This funding will enable Oskar Mobil a.s. to expand and upgrade its network, develop new telephony products based on new technology, such as UMTS and EDGE, and to offer new services to its subscribers. The project was financed through a seven-year Eurobond of €325 million, in which the Bank participated for €25 million, and a five and six-year senior debt facility of €250 million.

Unitel - Uzbekistan

Following a decision by Daewoo International to exit the Uzbek telecommunications market, Germanos S.A. formed an equity consortium to acquire Unitel. In December 2004, the Bank signed an agreement with Germanos S.A. to buy an equity stake.

The proposed transaction represents the first commercial long-term commitment by an international bank in the telecommunications sector in Uzbekistan. By participating in the project, the Bank aims to make mobile communication services more affordable and accessible to a greater part of the Uzbek population.

Contact details

Izzet R. Güney, Director
Telecoms, Informatics and Media Sector
EBRD
One Exchange Square
London, EC2A 2JN
Tel: + 44 20 7338 6565
Fax: + 44 20 7338 6674

EBRD signed and disbursed projects, as at 31 December 2004 (€ million)

<i>Project</i>	<i>Country</i>	<i>Classification</i>	<i>Total Cost</i>	<i>EBRD finance</i>
Signed				
TPSA EIB guarantee facility	Poland	Private	220.0	24.8
Unitel (Equity)	Uzbekistan	Private	57.9	6.1
Total Signed			277.9	30.9
Disbursed/Disbursing				
Public sector				
Albanian Telecom	Albania	Public	39.4	7.2
Belarus Telecom	Belarus	Public	28.4	28.4
Telecom emergency reconstruction project	Bosnia and Herzegovina	Public	67.6	17.5
Pre-privatisation Convertible Loan to Telekom Srpske	Bosnia and Herzegovina	Public	94.8	29.8
Bulgarian Telecom	Bulgaria	Public	185.6	32.0
Eurovision - Bulgaria	Bulgaria	Public	0.7	0.7
Czech Telecommunications Project	Czech Republic	Public	261.9	34.9
Eurovision - Estee Televizioon	Estonia	Public	0.6	0.6
Macedonian telecommunications project	FYR Macedonia	Public	60.0	31.1
Hungarian telecommunications project	Hungary	Public	211.4	33.6
Kazaktelecom corporate loan	Kazakhstan	Public	80.6	44.0
Kyrgyz telecommunications	Kyrgyz Republic	Public	39.8	6.9
Eurovision - Latvijas Televizia	Latvia	Public	0.7	0.7
Telecom Development International	Lithuania	Public	44.5	18.3
Eurovision - NRT Moldova	Moldova	Public	0.7	0.7
Eurovision - Romanian Television	Romania	Public	0.7	0.7
Rom Telecom	Romania	Public	549.2	142.0
Slovak telecommunications project	Slovak Republic	Public	272.0	44.0
Eurovision - RTV Slovenia	Slovenia	Public	0.7	0.7
Tajiktelecom modernisation project	Tajikistan	Public	11.2	9.5
Eurovision - TV Ukraine	Ukraine	Public	0.7	0.7
ITUR	Ukraine	Public	45.6	38.9
<i>Public sector subtotal</i>			1,996.8	522.9

Project	Country	Classification	Total Cost	EBRD finance
<i>Private sector</i>				
AREF: International distribution for Albania	Albania	Private	0.2	0.1
Vodafone Albania	Albania	Private	85.0	35.0
Bulgarian Telecommunications Company (Equity)	Bulgaria	Private	138.0	13.0
Bulgarian Telecommunications Coy (Debt - Advent)	Bulgaria	Private	118.0	43.9
Bulgarian Telecommunications (Debt - BTC AD)	Bulgaria	Private	123.0	45.8
BTC Mezzanine Facility	Bulgaria	Private	40.0	3.5
Internet framework - Rila Solutions	Bulgaria	Private	7.6	3.2
GlobalNET	Croatia	Private	3.2	1.8
VipNet GSM	Croatia	Private	341.9	22.4
VipNet GSM II	Croatia	Private	154.9	2.1
VipNet GSM corporate loan	Croatia	Private	143.2	19.2
Eurotel Praha spol. s.r.o.	Czech Republic	Private	49.5	8.1
Kabel Net	Czech Republic	Private	11.9	2.5
Oskar Mobil	Czech Republic	Private	325.0	25.0
TES Media	Czech Republic	Private	54.0	10.0
TIW Czech NV	Czech Republic	Private	308.3	30.4
Emergency GSM extension & network modernisation project	FYR Macedonia	Private	14.0	14.0
CGE - Hungary Regional Telecom (Deltav Rt.)	Hungary	Private	137.4	21.6
Digitel 2002 Rt	Hungary	Private	85.5	14.5
Hungarian Telecoms Company equity investment	Hungary	Private	251.3	50.9
Hungarian Commercial Television (TV2)	Hungary	Private	48.0	11.5
Internet framework - Laserbit	Hungary	Private	5.5	1.7
Investel syndicated loan facility	Hungary	Private	699.9	11.7
Invitel (formerly known as Vivendi Telecom Hungary)	Hungary	Private	268.2	47.4
Westel Radiotelefon KFT	Hungary	Private	7.3	7.3
Kazaktelecom debt facility (KTC)	Kazakhstan	Private	18.3	18.3
Latvia GSM mobile communications project	Latvia	Private	72.2	15.9
Lietuvos Telekomas IPO	Lithuania	Private	133.5	51.8
Netia	Poland	Private	221.6	23.7
Aster City	Poland	Private	140.2	23.8
Polska Telefonía Cyfrowa SP z.o.o.	Poland	Private	656.4	81.4
Polska Telefonía Komorkowa sp. z.o.o.	Poland	Private	114.3	17.6
Exatel S.A. (formerly known as Tel-Energo Convertible Loan)	Poland	Private	100.3	68.5
Telekomunikacja Polska S.A. ("TPSA")	Poland	Private	692.7	64.9
Emcom-Siemens	Romania	Private	26.8	7.4
MobiFon I - Romania GSM	Romania	Private	291.9	75.8
MobiFon II - Romania GSM	Romania	Private	110.1	5.6
MobiFon corporate loan facility	Romania	Private	221.5	60.3
Romtelecom transition project	Romania	Private	481.9	73.3
Astral Telecom	Romania	Private	30.5	5.1
EDN Sovintel	Russia	Private	6.0	3.3

Project	Country	Classification	Total Cost	EBRD finance
Macomnet	Russia	Private	11.3	1.5
Moscow GSM	Russia	Private	34.6	24.4
News Outdoor Russia I & II	Russia	Private	96.6	38.1
New Telephone Company, Vladivostok (NTC)	Russia	Private	33.7	8.8
New Telephone Company, Vladivostok (NTC) II	Russia	Private	3.7	3.7
North-West GSM/Russia	Russia	Private	67.7	20.5
MTS	Russia	Private	109.9	109.9
Rising Star Media	Russia	Private	37.8	12.8
Sonic Duo	Russia	Private	168.0	24.5
Vimpelcom	Russia	Private	224.8	33.1
SBB (Debt & Equity)	Serbia and Montenegro	Private	26.0	16.0
Eurotel Bratislava Spol s.r.o.	Slovak Republic	Private	27.8	5.9
Orange Slovensko, a.s. (formerly known as Globtel)	Slovak Republic	Private	185.4	23.5
Hermes Softlab	Slovenia	Private	9.0	3.0
Mobitel GSM	Slovenia	Private	185.0	25.0
Ukrainian Wave (L'viv Wireless)	Ukraine	Private	20.4	5.1
Barings Communications equity	Regional	Private	57.7	12.4
Golden Telecom	Regional	Private	105.9	32.6
Information & communications technical & industrial fund	Regional	Private	51.6	12.7
<i>Private sector subtotal</i>			7,980.7	1,399.1
Total disbursed/disbursing			9,977.5	1,922.0
Total signed and disbursing			10,255.4	1,952.9